
The IR Journal

Reengineering Efforts Result in New IR Guidance

Volume 2 Issue 4

September 1997

Reengineering of IR Going Strong

A number of Process Action Teams (PAT) have completed work during this past quarter with the result being the issuance of new IR guidance. The reengineering effort of Army IR was alive and well but, for some time, the evidence was not too convincing. At work, were PATs delving in such heavy-duty subjects as reporting, planning, performance measures, and quality assurance. Well, the wait is over and the fruits of their labor have been distributed to the IR community.

Changes to the way IR offices conduct business are numerous but the latitude afforded individual offices has never been greater. The guiding principles for all IR reengineering efforts have been:

- 1) Meet requisite professional standards
- 2) Meet the customers' needs

(See *Reengineering*, page 2)



Decision Pending on Booz, Allen & Hamilton Proposal

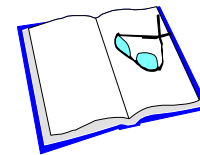
The Booz, Allen & Hamilton proposal seeks to combine all Internal Review spaces into the US Army Audit Agency, then reduce the number of auditors in the Army by about half. A decision will be forthcoming in the near future. We will notify all IR offices of the decision as soon as it is made.

"Discovery consists of looking at the same thing as everyone else and thinking something different."

-- Albert Szent-Gyorgyi

New DA Internal Review Manual

Work is currently underway on a DA Internal Review Guide that will replace the outdated "Green Book."



The publication will supplement the new AR 11-7 currently waiting to be officially staffed.

The DA IR Guide will include all guidance that's been issued as part of our reengineering efforts. The Table of Contents lists the following Chapter Titles:

1. Internal Review – Concept of Operations
2. Performance Measures and Goals
3. Training
4. Planning
5. Formal Audits
6. Quick Response Audits
7. Consulting and Advisory Services
8. Audit Compliance and Follow-Up
9. Audit Liaison
10. Reporting

11. Quality Control

12. Marketing

We are designing it to fit into a 3-ring binder so use and upkeep will be simplified. Look for publication by early FY98. Don't just sit there. Let us know what other subjects you would like to see in the DA IR Guide. Ideas should be e-mailed to barnhrw@hqda.army.mil

(Reengineering, from Page 1)

- 3) Be innovative in delivery of IR services

Planning

This guide affords significant latitude in how annual plans are generated. It tries to streamline the annual planning process by making it more of a continuous process. It also leverages existing technology.

PAT Members

Mr. Frank Bono – USARC - Chief

Mrs. Ruth Drinkard – MEDCOM

Mr. Larry McElroy – USACE

Mr. Don Morrison - GANG

Reporting

The Reporting Guide identifies essential requirements of each type of report issued – from formal financial audits to consulting engagements where no report is issued. It also tries to take advantage of existing technology where possible.

PAT Members

Mr. John Templeton – USACE - Chief

Mr. Bill O'Hare - ASC

Mr. Bob Barnhart – SAFM-FOI

Mrs. Dirl Temple - MEDCOM

Performance Measures

This PAT has been hard at work for some time. They performed the IR Customer Survey during the first quarter of FY97. Since then they have compiled the results, used them to focus their efforts, and established initial performance measurement areas and goals. These will be reviewed at least annually and new customer satisfaction surveys will be conducted.

PAT Members

Mr. Bob Barnhart – SAFM-FOI - Chief

* **COL Connie Johnson** – USPFO-Colorado

* **Mr. Jim Philpott** – USARPAC

Mr. Frank Bono – USARC

Mr. Bill O'Hare – ASC

Ms. Donna Rovere – USACE

Mr. Charlie Seitz – OKNG

Mr. Mike Petty - SAFM-FOI

* IR Customers

Quality Assurance

This PAT has revised the Army IR Quality Assurance Guide to bring it in line with all the new policies and procedures emerging from reengineering efforts. Their charter also had them focus on simplifying the guide and developing a scoring mechanism that was objective and would facilitate benchmarking. They have accomplished their objectives and produced a very user-friendly publication.

PAT Members

Mr. Walt Morrison – NGB - Chief

Mr. John Templeton – USACE

Mr. Bob Barnhart – SAFM-FOI

Mr. Frank Bono – USARC

Mr. Jim Clevon - MEDCOM

Mr. John Ourednik – TECOM

The IR community is indebted to the unselfish, dedicated

The IR Journal

professionals who made up these PATs. They have produced some outstanding results.

MEDCOM Commanders Do Not Support Regionalized IR

A proposal to place all North Atlantic Regional Medical Center Internal Review auditors on one TDA and to regionalize where possible, was considered earlier this summer. However, MEDDAC commanders rejected the regional concept. Commanders asserted that centralized or regionalized auditing was less responsive to their needs, as well as more costly. All affected commanders were made aware that IR would become external to their staffs and would no longer be their resources. They collectively felt that IR should remain the commanders' resource.

The actions of these commanders speak volumes about the basic premise on which the Army's IR Program was founded. Locally owned and operated internal audit capability is the premier problem-solving tool of local Army commanders.

"The paperless office has about as much chance as the paperless bathroom."

- - Author unknown

Army's IR Director Gets New Title

The added responsibilities are being reflected in the title of **Mr. Richard Chambers**. In July he was assigned the additional role as director for Army financial reporting. As a result, his title was officially changed to Director, Financial Reporting and Internal Review. While his new title does

not identify management controls any longer, he continues to have that responsibility. In addition, he oversees the Army's Travel Reengineering efforts as well as the Charge Card Program.

Golden Auditor Award???

Did you read that correctly? I know, I know, what's a

The IR Journal

Golden Auditor Award? It's an award that was the brainchild of **Mr. Brian Maxwell**, IR Chief, Minnesota National Guard. Brian believes he should recognize his auditors for their faithful service to the system and to the profession. So Brian created the Golden Auditor Award for auditors who complete 100 audits.

His first recipient was **Mr. Howard Larson**.

Brian has submitted his idea to NGB for consideration as a national award. NGB-IR tells us that the Golden Auditor Award idea will be reviewed by the NG IR Advisory Committee at their next meeting.

It's great to know that our Chiefs are looking for ways to recognize our hard-working, dedicated IR auditors.

IR Customer Steering Group Established

Mr. Richard Chambers, Director, Financial Reporting and Internal Review, has established an Internal Review Customer Steering Group to advise him on the needs and perceptions of Army customers. Membership was extended to Army leaders who volunteered to serve on the committee. It was rewarding to note that there were a substantial number of volunteers to fill a limited number of spaces. We'd like to extend our thanks to all who volunteered.

IR Customer Steering Group members are:

<u>MEMBER</u>	<u>POSITION</u>
DAVIS, BRIAN COL	DRM, FT LEWIS
FLORIS, JOHN COL	SSDC
JEFFERIS, VICKY	FORSCOM
KEHOE, LTC	DRM, USARAK
McELVEN, WILLIAM	PARC, USARSO
MILLER, DOUGLAS LTC	DIR, PRG RESOURCE OTSG
MITCHELL, THOMAS COL	C/S, USASOC
PLEWES, THOMAS MG	DCG, HQ USARC
ROBINSON, BRUCE COL	ASS'T DIV CDR, 80TH DIV
SHANDS, DONNA	ADCSLOG, USAREUR
SHERMAN, DICK COL	USPFO, WY NG
STORM, JOHN COL	XO, DCG, HQAMC
STREET, TINA	Asst C/S, USACE
TETERS, RICHARD COL	C/S, HQ USAREC

FY98 IR Training Symposium

The theme for this year's Internal Review Training Symposium will be

High Impact Auditing: Tools and Targets

Speakers are being sought to discuss: 1) the use of technology and other advanced auditing techniques; 2) audit success stories; and, 3) functional programs - overviews and weaknesses.

We are looking for ideas on topics and dynamic speakers. Please contact Bob Barnhart or Michelle Doyle with your recommendations. We plan to make this year's symposium even better than last years!

The Training Corner

By Ms. Michelle Doyle

In our last edition, we advised you of sweeping changes USAAA/IR is contemplating for the auditor education program. An integral part of these reforms will be in the hands of curriculum advisory committee. These committees are taking shape and should be operational very soon. We thank all the IR offices and auditors who volunteered to serve on these committees. We have assigned one active component and one reserve component member to each committee. Those selected are identified below:

Introduction to Army Auditing:

Mr. Dave Murawski & MAJ Dangerfield

Intermediate Auditor School:

Mr. George Sullivan & CPT Debbie Richardson

Senior Auditor School: Mr. John Reid & Mr. Rod Ogle

Audit Supervisor School: Mr. Bill O'Hare & Mr. Richard Hess

Basic Communications Course:

Mr. Bob Barnhart & Mr. Les Washington

Advanced Communications Course: Mr. Bob Barnhart & Mr. Les Washington

Training Delivery: Mr. Rich Messner & Ms. Sheri Dickinson

"There is nothing worse than a sharp image of a fuzzy concept."

-- Ansel Adams

FY98 Training Dates Announced

The training branch, US Army Audit Agency (USAAA) has provided us the course dates for next fiscal year. The dates and information on quotas has been provided to all MACOMs.

Training dates are to be:

Instructor Training

Timonium, MD 6-10 Oct 97

Basic Communications Course

Alexandria, VA 17-21 Nov 97

Advanced Communications Course

Alexandria, VA 8-12 Dec 97

Audit Process - Basic Course (1)

Ft. Bragg, NC 5-16 Jan 98

Advanced Audit Techniques

Oklahoma City, OK 12-16 Jan 98

Advanced Communications Course

Alexandria, VA 4-8 May 98

Basic Communications Course

Alexandria, VA 2-6 Feb 98

Audit Leadership Course

March AFB, CA 23-27 Feb 98

Senior Auditor School

Timonium, MD 9-13 Mar 98

Audit Leadership Course

March AFB, CA 20-24 Apr 98

Advanced Audit Techniques

Oklahoma City, OK 20-24 Apr 98

Audit Management School

Timonium, MD 9-13 Feb 98

Audit Management School

Timonium, MD 23-27 Mar 98

The IR Journal

Audit Management School

Timonium, MD 6-10 Apr 98

Intermediate Auditor School

Timonium, MD 18-22 May 98

Basic Communications Course

Alexandria, VA 8-12 June 98

Audit Process-Advanced Course

Timonium, MD 15-19 Jun 98

Advanced Audit Techniques

Timonium, MD 22-26 June 98

Can I make an advance appointment now? The IR auditors are coming next week.



Audit Process - Basic Course (1)

Ft. Bragg, NC 13-24 Jul 98

Advanced Audit Techniques

Timonium, MD 20-24 July 98

Audit Leadership Course

March AFB, CA 3-7 Aug 98

Advanced Communications Course

Alexandria, VA 24-28 Aug 98

Basic Communication Coourse

Alexandria, VA 31Aug-4Sep 98

Senior Auditor School

Timonium, MD 14-18 Sep 98

Advanced Audit Techniques

Oklahoma City, OK 21-25 Sep 98

NOTES: (1) Formerly titled Introduction to Army Auditing



Management Control Training

ARMY MANAGEMENT CONTROL PROCESS COURSE

COURSE DESCRIPTION: This eight-hour seminar will cover the statutory and regulatory requirements of the Army's management control process, the underlying Army philosophy on management controls, the major elements of the Army's process and the basic responsibilities of key players in that process.

Location: On-site

Number students: Up to 30

Tuition: \$2,200 + travel expenses

USDA Contact: Ms. Karen Pressley

(202) 401-9401 or
(800) 326-7813

ARMY MANAGEMENT CONTROL ADMINISTRATORS COURSE

COURSE DESCRIPTION: The purpose of this two-day course is to provide Army Management Control Administrators with the comprehensive training necessary for them to perform their job. This training includes developing a Management Control Plan, conducting effective management control evaluations, identifying material weaknesses and establishing plans to correct them, and preparing annual statements of assurance.

Course Locations/Dates:

St. Louis, MO 11-12 Sep 97

Atlanta, GA 17-18 Nov 97

San Antonio, TX 20-21 Nov 97

Other site TBD

Tuition: \$250.00 per student

USDA Contact: Ms. Karen Pressley

(202) 401-9401 or (800) 326-7813

True or False?

The most often quoted passage from the series of Sherlock Holmes stories is: "Elementary, my dear Watson!"



(Answer on Page 14)

Travel Card Delinquencies in Spotlight

By Mr. Bill Harris and
Mr. Rich Adamy, SAFM-FOI



U

se of the Government – sponsored travel charge card has grown

The IR Journal

considerably in the past year. However, as use of the travel charge card has grown, so has the number of cardholders who are delinquent in paying their accounts. The percentage of dollars delinquent has cycled up and down, increasing slightly, but the actual number of cardholders who are delinquent has climbed dramatically. This trend is disturbing to the Army's senior leadership. An effectively managed travel charge card program with senior leadership taking an active role will curb this increase in delinquent cardholders. Research by the travel charge card contractor has shown a high correlation between misuse and delinquencies. MACOM travel charge card program managers have the tools to run their program in a way to curb delinquencies, but not all are using those tools. DoD Financial Management Regulation Volume 9, an Army implementation instruction to Volume 9, slide presentations for training cardholders, and an optional management control checklist are available to ensure the program is operating effectively. All these documents are available in the Travel Charge Card section of the ASA (FM&C) Homepage at www.asafm.army.mil.

Financial Management Regulation Volume 9 was released in December 1996. Volume 9 is the overall travel policy for DoD and one chapter is the outline for operating a successful travel charge card program. Each Program Manager and APC should have a copy.

The Army implementation instruction to Volume 9, HQDA Letter 37-97-1, has been finalized, and is now in distribution. It offers MACOMs options to tailor their travel charge

card program to suit their needs within the guidelines of DoD Volume 9.

Training cardholders on the proper uses of their travel charge cards and their responsibilities is essential to curb delinquencies. As outlined in Volume 9, and reinforced in HQDA Letter 37-97-1, cardholders should receive training on an annual basis. Both DoD and HQDA have prepared training packages that can be used by APCs for training cardholders. The HQDA package is complete with slides and notes that APCs can use to train new cardholders and the annual training for existing cardholders. APCs can tailor this package to suit their specific activity.



Program Managers and APCs are encouraged to use the Management Control Checklist. While its use is optional, it provides feedback on whether steps are being followed to alert the APC to possible misuse or delinquencies on cardholders' accounts. If APCs follow the steps shown on the Management Control Checklist, potential problems can be avoided.

All these items have been distributed to the MACOM Agency Program Coordinators via hard copy and e-mail. HQDA Letter 37-97-1 and the Management Control Checklist have been distributed to both Internal Review and Management Control offices via e-mail.

In addition, American Express will provide on-site training to groups of APCs and cardholders upon request, at no cost. Some installations are taking advantage of this training, while others are not.

By using the management tools available, Program Managers and APCs can operate travel charge card programs with lower delinquency rates than currently seen, but APCs need sufficient time to devote to operating the program.

APCs who wish to take advantage of AMEX on-site training should contact Brian Holcomb at American Express (703) 312-8374, or Bill Harris at ASA (FM&C), 697-1812, DSN 227-1812, or Rich Adamy at (703) 697-2233 or DSN 227-2233. E-mail: harrisw@hqda.army.mil or adamyrc@hqda.army.mil.

Odds and Ends

From Mr. Frank Bono, USARC IR Chief.

On Trust and Creditability

Expertise alone does not inspire trust and credibility. We must work on our trustworthiness and build good relationships with our customers at the same time. We establish trustworthiness by:

- * Establishing regular, one-on-one meetings with our customers.

- * Listening well. Asking

"Ability is what you're capable of doing. Motivation determines what you do. Attitude determines how well you do it."

-- Lou Holtz

The IR Journal

questions. Learning their business.

- * Conducting customer satisfaction surveys. Not being defensive about their comments. Providing feedback.

Creditability is the result of the credit others give us, regardless of the credit we take. Once trustworthiness has been established, we can enhance credibility by persisting to meet our decision-makers' desired due dates with quality, professional products that add-value. Calvin Coolidge said: "Nothing in the world can take the place of persistence.

Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent."

Reminder!

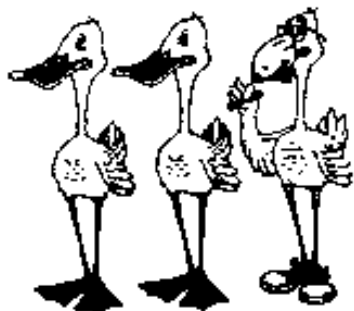
Nominations for Army IR Awards of Excellence are due in to SAFM-FOI by 31 October 1997.



The IR Vision

To be the premier source of objective, reliable and timely information for Army decision-makers.

Web Feat of the Quarter



Have you discovered *The Auditor's Guide to Internet Resources*?

If not, you could be doing yourself and your organization a disservice. *The Auditor's Guide to Internet Resources*, authored by Jim Kaplan, CIA, a recognized international expert on the uses of the Internet for auditors, helps internal auditors discover the rewards of using the Internet as an auditing tool. This book assists internal auditors in accessing hundreds of audit and accounting resources by serving as a map leading readers from an introduction to the Internet to particular information for auditors. It points the direction to specific audit programs, relates how to reach hundreds of auditors with a single e-mail, and details how to conduct research for audit-related purposes.

"While there have been many books written about the Internet, none have provided specific information for auditors," says Kaplan. "The Internet is a technological breeding ground for new ideas and information sharing. Auditors using it are only a touch away from the answers to most

questions and access to unlimited information resources. If auditors are not using the Internet as an auditing tool, then their organizations are missing a golden opportunity."

The Auditor's Guide to Internet Resources is available through the Institute of Internal Auditors, Inc. Contact the IIA Customer Service Center at (407) 830-7600, Extension 1.

Audit Net

By Obnes Cherilus

Last week, I attended the 14th annual AICPA conference and found this web site to be invaluable for auditors.

<http://users.aol.com/auditnet/>

What is **AuditNet**?

- Global network of relevant electronic resources.
- Auditors electronically communicating with one another.
- Auditors sharing experiences and ideas via online services and the Internet.
- Auditors sharing resources.

NGB Launches IR Homepage

By LTC Larry Freuff

The National Guard Bureau's Internal Review and Audit Compliance Directorate (NGB-IR) is on the move preparing itself for the new century. Eager to utilize new automation technologies and communication techniques, NGB-IR is creating a World Wide Web "Homepage."

The Homepage will have "Read" permissions for all viewers

The IR Journal

with hypertext links to the Army Audit Agency, assorted Law Libraries, Email capability utilizing Microsoft Exchange, usage of Netscape, and inquiry capability into the NGB-IR Audit Informational Data Base. Additionally, there will be information concerning the NGB yearly training schedule, an evolutionary audit tools library, an IR Office employee listing, and access to IR Publications.

The targeted implementation date for the "Homepage" is 1 October 1997. We'll advise the IR community of the Homepage address as soon as we go online.

Viruses

By Frank Bono

Computer viruses are a serious threat to computer security.

Recent reviews of virus scan logs on email attachments and files crossing LANs showed over 800 incidents of infected files. These infected files were mainly .TMP files. For every .TMP file, 2 more other files, e.g., .DOC, .XLS, .DOT, etc., are infected. Costs of infected files include lost system access, destruction of programs and other software, and loss of data. Additionally, current industry estimates for direct technician time to resolve a computer virus is set at \$250 per computer or network workstation. So, routinely scan your local drive; always scan diskettes and email attachments before executing them; and never use any software obtained from the INTERNET without first scanning it for viruses.

"A great teacher never strives to explain his vision--he simply invites you to stand beside him and see for yourself."

-- Reverend R. Inman

IR Roundup

Awards -



- ♦ **Mr. Henry Wheatley**, Fort Knox IR Office, recently received a citation for his public service work. The award was presented by the Fort Knox Leadership Association and cites the following:

"Henry has served in a variety of offices that enhance the community. He has served on the Board of Directors for the Fort Knox Credit Union for the past 20 years including one term as Chairman and currently as Treasurer. He is currently 2nd Vice President of both the American Society of Military Comptrollers and the Fort Knox Leadership Association. He was nominated by Governor Patton and Appointed by the President to the Taylor County Selective Service Board. He currently serves as a member of the Boy Scouts Executive Committee for Taylor County and has been active in the Scouts for the past 10 years. For the past 5 years he has donated his talents in working with stained glass to the Catholic Church. He is committed to replace all the stained glass windows of his church. Henry's contributions to Public Service and the Community were recently

recognized with the Department of Army FY-96 Internal Review Award of Excellence presented at a conference in St Louis. Henry's contributions are truly exemplary Public Service."

- ♦ **Mr. Howard Larson**, CGFM, Auditor, Minnesota Internal Review, has received a "GOLDEN AUDITOR" Award. Brian Maxwell, Supervisory Auditor and COL Charles Andres, USPFO-MN presented it to Mr. Larson on August 13, 1997. **Mr. Walt Morrison**, Chief, Internal Review, NGB, also presented an "Achievement Award" to Mr. Larson. This award is to honor the accomplishment of completing 100 audit reports.
Mr. Larson began his auditing career in 1984. Over the years, he has performed audits on every facet of the Minnesota National Guard. If you're wondering, his 100th audit was on Property Accountability: Equipment Status, MN ARNG.
- ♦ **Messrs. Bill Hemberger, John Cunion, and Dennis Boreen**, CECOM, received performance awards in conjunction with their annual appraisals.
- ♦ **Mr. John Riley**, CECOM, was presented the Achievement Medal for Civilian Service for his outstanding contribution during 1996 which resulted in his nomination for the CECOM Ten Outstanding Personnel Award in conjunction with his annual appraisal.

The IR Journal

- ♦ **Messrs. John Ourednik, Greg Dorney, George Freeman, William Hannan, and Ms. Denise Clark**, TECOM/GAPG, received commander's coins from the U.S. Army Publications Distribution Center for rendering superior IRAC services in conjunction with the Center's closure.
- ♦ **Ms. Sharon Comer**, YPG, received a certificate and pin in recognition of her 15 years of Government service.
- ♦ **Mr. Anthony Walsh**, Auditor, received an exceptional performance rating and performance award.
- ♦ **Messrs. Morris Weintraub and Kenneth Walker**, CBDCOM, received certificates and pins in recognition of 30 years of Government service. Due to an administrative oversight, Mr. Walker's recognition was received 2 years after his anniversary.
- ♦ **Mr. Robert Davis and Ms. Lisa Threatte**, ARL, received exceptional performance ratings and awards.
- ♦ In their never ending battle to bring recognition to audit, "The Team" AKA **Jerry Bartus, Chuck Krulic, and Bobbie Tarrance**, TACOM, received awards for their outstanding performance as Team Leaders.
- ♦ "Way to go"! **Mr. Tom Quinn** received a performance award in conjunction with his annual appraisal.

- ♦ Messrs. **Ellis Cox**, **Steve Blau**, **Bill Huseman**, and **Greg Maassen**, AMCOM, received performance awards.
- ♦ **Mr. David Engstrom**, DPG, received an award for excellent performance.

Changes -

- ♦ The title for **Mr. Richard F. Chambers** has been changed from Director, Internal Review and Management Control to Director, Financial Reporting and Internal Review.
- ♦ IR is being reestablished at Ft. Hood and Fort Lewis. Ft. Hood's office will be on-board by 30 September 1997.
- ♦ ATCOM and MICOM have merged into the Aviation and Missile Command (AMCOM). As a result of the merger, **Mr. Greg Maassen** has arrived at Redstone Arsenal in the IRAC office. Messrs. **Ellis Cox**, **Steve Blau**, **Bill Huseman**, and **Charlie Horn** are due to arrive 7 Oct 97.

Promotions –

- ♦ Congratulations to **Mr. Bill Whanger** on his recent promotion. Bill became the Internal Review Chief for USAREUR and was promoted to GM-15 on 13 April 1997.

- ♦ The Alabama National Guard has promoted several of their fine upstanding IR auditors to GS-12. Promoted were **Mr. Paul Vaughn**, **Ms. Bobbi Riddle**, **Mr. Jimmy Riddle**, and **Mr. Therman Dennis**.
- ♦ Congratulations also go out to **Mr. George Ryan Place** and **Ms. Pamela Leigh Buckler**, North Carolina National Guard Internal Review auditors, who were recently promoted to GS-12.
- ♦ **Mr. Troy Frost**, Wisconsin National Guard IR, finally got what he deserved - a promotion to GS-12!
- ♦ **Mssrs. Bruce Schindler and Jerry Egge** are partying in Wyoming! These hard working range-riders from the local National Guard IR office received promotions to GS-12.
- ♦ **Mr. Archie Ford**, AMC IRAC office, has been announced as their new IR Chief. With his selection comes a promotion to GS-15.
- ♦ In February 1997, **Mr. David Engstrom**, the DPG IRAC Officer, was promoted to a GS-12.
- ♦ **Ms. Pauline McDonald**, TACOM, was recently rewarded with a promotion for her outstanding contribution to the IRAC Community and the

The IR Journal

Command Group. She said: "Show me the Money!!!!" and They Did.

Hail -

- ♦ We're not sure if this belongs under the Hail or Farewell heading. **Mr. Mike Powers** is leaving his IR job in USAREUR to accept a position within SAFM-FO. Mike will become the program manager for Army's implementation of the CFO Act.
- ♦ The Vermont National Guard Internal Review Division would like welcome aboard **Mr. Richard D. Provencher** as our newest auditor. Richard brings over 26 years of experience in Army National Guard finance.
- ♦ **Mrs. Linda Malec** returned to the SSCOM IRAC Office as a GS-11 Auditor on 2 Sep 97.
- ♦ Anniston Army Depot - **Ms. Diana Higgins**, GS-11, recently joined the office. Her background includes work in the personnel and financial areas, and work measurement.



PUZZLES WE'VE SEEN

Consider the following list of words: RACK, ON, GAIN, RAGE, ROW. Which of the following words is the correct one to add to the list and why? HEDGE, WOOD, STORM, TRACK, MAID, WATER, MILK

Answer to June's puzzle -
Those numbers, when pushed on your phone, play *Jingle Bells*.



- ♦ On 2 Aug 97 **Mr. Austin Blongastainer**, Chief IRAC at Soldier Systems Command retired. The HQ AMC IR office would like to thank him for the many years of dedicated service he has provided to the IRAC community, AMC, and the ARMY.



We all wish him a great retirement as he relaxes on Cape Cod enjoying the beach and all his other endeavors.

- ♦ **Mr. Charlie Horn**, AMCOM, will retire 30 Sep 97.
- ♦ The IRAC Community continues to enrich the Command with audit talent. In June 97, **Mr. Dennis Cervelli**, TACOM, was reassigned to the Installation and Services Directorate, Resource Management.
- ♦ **Mr. Thomas Bates**, CECOM, has opted for early retirement

and has submitted his paperwork under the VERA/VSIP being offered. Unless he gets a case of cold feet, Tom will be departing effective 3 Oct 97.

- ♦ McAlester Army Ammunition Plant - **Mr. Larry Lame**, GS-11, was reassigned to an accountant position in the Business Management Directorate as a result of a reduction-in-force. Larry had spent 13 years in the Internal Review Office.
- ♦ Corpus Christi Army Depot - **Mr. Dalton Smithwick**, GS-11, has retired after 33 years of government service. Most of his time was with the Internal Review Office.
- ♦ Tooele Army Depot - **Ms. Kay Saling**, GS-7, departed the office after 8 years. She received a promotion to become the depot commander's secretary. Her perky voice will be missed.
- ♦ **Mr. John Munns**, ARL, transferred to the 98th ASG IRAC in Wuerzburg, Germany in May 97. Not really a farewell, is it?

Vacancies –

- ♦ **Mr. Bill Whanger**, USAREUR IR Chief, will soon be recruiting for a GS-13 Supervisory Auditor. If anyone wishes to inquire about this opportunity, they can reach him at DSN 370-8629, or commercial 011-49-6221-578629.
- ♦ Ft. Lewis is replacing its Command Audit Office with an in-house internal review

The IR Journal

capability. Initially a single auditor (GS-511-11/12) is to operate the IR function. The auditor will be supplemented by DRM personnel and USAAA (audit requests). This situation will be reevaluated on an ongoing basis to ensure staffing is balanced with audit workload. The single auditor will report to the Chief of Staff. Recruitment is now in progress.

"Nothing is as frustrating as arguing with someone who knows what he's talking about."

-- Sam Ewing

Personals --

- ♦ **Mr. Bill Hemberger**, CECOM IR Chief, has relinquished his title as President of the Fort Monmouth Jersey Devil Sub-chapter of the AMSC to take the reins of President of the Jersey Devil Chapter of ASMC. This five star chapter consists of membership from Ft Monmouth, Ft Dix, Maguire Air Force Base, and Lakehurst Naval Air Station.



- ♦ **Ms. Lisa Threatte**, ARL, successfully completed three courses at University of Maryland University College. Lisa has also been accepted into the Tau Chapter of Alpha Sigma Lambda (the national honor society for students in continuing higher education). Members are selected from the highest ten percent of students with a GPA of 3.7 and above. Congratulations Lisa!

- ♦ **Messrs. Jerry Bartus and Chuck Krulic**, TACOM, graduated from the Organizational Leadership for Executives Course.
- ♦ Congratulations to **Ms. Bobbie Tarrance** on completing the 5 miler at the Mayor's Marathon in Anchorage Alaska.
- ♦ Congratulations to **Mr. Ron Griesmayer** for recently completing over 30 years of Government service.
- ♦ **Mr. Jerry Bartus** also completed 15 years of Government service. More leave!!!
- ♦ **Mr. Bill Doyle**, YPG, attended the Inspector General Auditor Training Institute course, "Contract and Procurement Fraud."
- ♦ Through the efforts of **Mr. Joseph Galanthay**, the CECOM IRAC Key Person for the Combined Federal Campaign, IRAC received the Century Award, the highest award bestowed by the CFC Committee.



No other federal agency in the area qualified. CECOM IRAC was also honored as only one of two activities to have 100% participation in the campaign.

- ♦ **Ms. Chris Linthicum**, CECOM, has successfully completed her requirements for the AMC Auditor Intern. She will graduate effective 25 Sep 97. Chris is also the CECOM IRAC Safety Officer.

She has done another outstanding job and was commended for her interest and proactive efforts in safety. She has helped the IRAC office to obtain a perfect score of 600 points and an overall rating of SUPERIOR during the FY 97 Annual safety Survey and Program Evaluation. This is the 11th straight year CECOM IRAC has received this award.

"The most dangerous untruths are the truths moderately distorted."

-- Georg Christoph Lichtenberg

The Management Control Corner

by Mike Petty



Review of Annual Assurance Statements on Management Control –

It's annual statement time again!! Each year at this time I get questions from IR shops on how involved they should be in reviewing their commander's annual statement of assurance on management controls. The best way to answer this question is to

The IR Journal

review AR 11-2, paragraph 1-17. This paragraph details IR Chief's responsibilities in the management control process. At the MACOM or HQDA staff level IR Chief's are to provide their commander/principal an "assessment of the thoroughness and validity" of their annual statement. While it's not required by this AR, we think it makes good business sense for IR shops below the MACOM/HQDA staff level to provide this same service to their commanders. It's just one more way you can be a valued member of the management team.

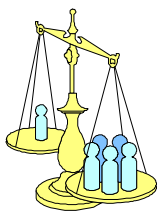
Conducting and Documenting Management Control Evaluations -

This year's review of the Army's management control process, by USAAA, has pointed out a systemic problem on how required management control evaluations are conducted and documented. In part, this problem stems from our "checklist mentality" where we would put an **X** in the yes block and put the evaluation in the file. Army Regulation 11-2, paragraph 2-4, states that the evaluation must be based on the actual testing of the key management controls. What do we mean by testing? Simply put, it's how you verify that controls are in place and working as intended. The common methods of testing include examination, sampling, simulation, observation and interviewing, or by specific evidence.

The following is a short definition of each common method of testing:

- **Examination:** Analyze the control and summarize how it works.
- **Sampling:** Drawing a representation of a population

to make a judgement about that population. This works well with forms, receipts and records.



- **Simulation:** A “dry run” or dummy run of data through a system to monitor the effectiveness of the controls.
- **Observation and Interview:** Getting out of the office and actually “eyeballing” what happens at a work site. Checking things out personally and documenting the results.
- **Specific Evidence:** Documenting actions that specific controls are in-place such as, approval authorities, inventory certifications, or audit results.

Finally, each evaluation must be supported by documentation that clearly indicates who conducted the evaluation and when, what methods were used to test the key controls, and what where the results of the tests. This documentation is attached to the DA Form 11-2-R and forms the Assessable Unit Manager's Certification of the evaluation. Another word about documentation, many commands are using alternate methods (i.e., Command Inspection Program, Command Supply Discipline Program, or IR Audits) to test their key controls. In each case, some type of a report is generated that documents results of these inspections/evaluations/audits. Simply attach the part of the report, which discusses the key

controls to the DA Form 11-2-R and you meet the documentation requirement. Internal Review offices should make themselves available to educate managers and their employees on how to properly conduct and document required management controls evaluations. You should also test the key controls (if they are identified by HQDA functionals) and provide managers with the results of these tests.

Army Management Control Administrators (MCA) Training -

We conducted our third annual Army MCA training session 15 August 1997, 0830-1600, at the Army National Guard Readiness Center, Arlington, VA. Sixty-five MCAs representing HQDA staff agencies, MACOMs, Major Subordinate Commands and installations attended the session. This training provided current information on the Army's management control process and offered the attendees a forum to discuss current management control issues and exchange ideas on how to effectively implement the process. In addition the MCAs from TRADOC and USAREUR conducted briefings on innovative methods they developed to implement the Army's process within their commands. Our training was held the day before the Army Management Control Administrators Course taught by the USDA Audit Training Institute. Thirty of our MCAs attended this course. We scheduled our training session and the USDA Course to maximize attendance and minimize travel costs.



DODIG Peer Review

Entrance conference for the DODIG peer review of the Army's IR Program will be conducted on 25 September 1997 in the ASA(FM&C) conference room. Attending the meeting will be **Mr. Neil Ginnetti**, Principal Deputy ASA (FM&C); **Mr. Ernest Gregory**, Deputy ASA (Financial Operations); **Mr. Richard Chambers**, Director, Financial Reporting, SAFM-FOI & IR; **Mr. Robert Barnhart**, Pgm Mgr for IR, SAFM-FOI; and Mr. Don Cress, USAAA; **Mr. Don Sketo**, Pgm Mgr, SAFM-FOI.

"I don't know the key to success, but the key to failure is trying to please everybody."

-Bill Cosby

Keep Your Eye on the Risk

By Anthony Gulotta, CPA, PANG

Several years ago, as I sat at the dinner table, my brother-in-law ran into the house and exclaimed, "Neighbor's pigs are loose." He

Keep Your Eye on the Risk

Examples -

<u>Risk</u>	<u>Magnitude</u> (Assuming 10 worth \$100 a piece)	<u>Likelihood</u> in <u>a Year</u>	<u>Projected Cost</u> of risk (Magnitude x Likelihood)	<u>Control that</u> <u>Could</u> <u>Manage Risk</u>	<u>Cost</u>	<u>Payback</u> <u>Period</u>
Pig getting struck by lightning yrs	\$100 to replace pig	.0001%	\$ 0.01	Barn Yard Lightning Rods	\$400	40,000
Pigs straying off	\$1,000 to replace	70%	\$700	Fencing	\$1,000	1.4 yrs

enlisted my help to round up the lot, even though I had never seen a pig up close. As we ran over to the farm, I was amazed. Pigs were sitting on the front porch of the farmhouse, relaxing. Others were rooting up the farmer's perfectly manicured lawn looking for something called grubs. Some of the pigs were still sitting in the pen.

Looking back on this scene 15 years later, it's obvious that the pig farm's operations had a material control weakness. The pigs were not properly safeguarded. The pens were old and not well maintained. Because the controls were not in place, the risk that the pigs could get loose came to pass. This jeopardized our neighbor's objective - to efficiently raise pigs and bring them to market.

Intuitively, I understood internal controls perhaps better that day than I did when I passed my CPA exam. Why would I say such a thing? Because along the way, I had lost sight of the real issue - the risks.

We learn a sundry list of internal controls such as documentation, prompt recording, separation of duties, and so on. During our assessment of internal

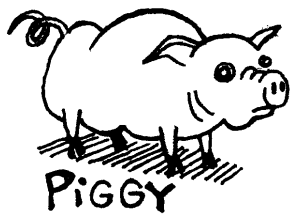
control systems we look for and test these controls. We use checklists and audit guides to evaluate them. We review managers' self-assessments of these controls and their related weaknesses. We use the criteria published in regulations and policies to determine if a control weakness is material. What is missing, or just mentioned in passing, is why we have controls and what controls are key to managing organizational risk.

Controls are only important to managers if they manage risks. Risks, if they develop, that would prevent the managers from achieving their objectives. So what controls are necessary? To answer this we must start at the snout of the pig, not the tail. The first step is for management to identify the objectives of the organization. Next, the managers and support personnel, such as auditors, should identify the risks that would prevent the organization from achieving its objectives. The final step is for managers to tailor the controls to manage the risks.

To know the right mix of controls to a particular risk, the managers should determine the magnitude of the potential risk and likelihood that the risk will

develop. The higher the magnitude of a potential risk and the more likely its materialization, the more appropriate controls are to manage it. Taken together, a risk that could be disastrous in achieving an objective might be managed with controls, even if it was highly unlikely to occur. That is, you must take the magnitude and likelihood of the risk into account when evaluating the significance of the risk.

Controls that do not manage a foreseeable risk or over-manage a risk do not add value to a process and should be eliminated. As an example, let's return to the farm. The farmer's organizational objective was to raise pigs and bring them to market. Even though I am not a farmer, I still see obvious risks. The pigs could get sick and die. They might get loose and become wild boar or be hit by a poultry truck. They might not get fat enough and not bring the highest price at market. To address these risks, our farmer should implement some controls: A strong pen to keep his pigs from getting loose, a schedule to upgrade and maintain the pen, and a dispenser that feeds the pigs exactly the amount needed for them to reach weight.



A ridiculous and fictitious example will help bring these points home - the importance of determining the projected impact of a given risk and the appropriateness of controls to manage the risk. In example #1, the pig farmer does not want to lose a pig to a random lightning strike. Yet, the likelihood is slight that it will actually happen. Therefore, it is not worth his resources to manage the risk with a control. Example #2, however, is a different story. In this case the projected cost of the risk is substantial. Although the cost to manage this risk is more than the first, it's worth it. The benefit will quickly outweigh the cost of the control - 1.4 year payback period.

The approach discussed above places the focus on the risks that will prevent an organization from achieving its objectives, and the management of those risks, not the control. A risk-based approach can be used in auditing and evaluating internal controls for the annual assurance statement. Managers can use this process on a daily basis to ensure their organizational objectives are achieved.

For more information on Risk Assessments and their interaction with internal controls, I would highly recommend reading the "Internal Control - Integrated Framework" by the Committee of Sponsoring

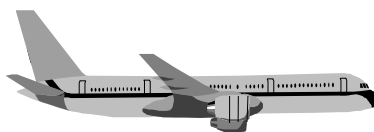


Organizations of the Treadway Commission (COSO). It's available from the Institute of Internal Auditing Bookstore Catalog. Their phone number is (407) 830-7600, ext. 1. For auditors using this approach to determine what audits to conduct (macro-assessment) or during an audit (micro-assessment), I would recommend the "Internal Auditor Tool Kit, Assessing, Risk" by David McNamee. This is also available from the IIA.

Performance Measures

We are continuing to move out smartly in the performance measures area. The Performance Measures Guide is in your hands and our second annual customer satisfaction surveys will be hitting the mail any day. This year we will be forwarding about 50 surveys to customers not included in our much larger initial survey last year. These should provide us data that can be compared against last year's results.

Don't forget that our Customer Satisfaction Survey Questionnaire is included in the Performance Measures Guide. Using it locally will allow you to benchmark against the Army or each other.



The IR Journal HAPPINESS IS TRAVEL

By W. G. Traveler
(submitted by Mr. Nelson Mckown)

On Monday, 28 Jul 97, the 1205 flight from Huntsville to Charlotte, NC, was without incident. I was to brief five SSDC programs (15 minutes each) at the SIMTECH meeting in Washington, all five programs of which I had only casual knowledge. So the flight to D.C. via Charlotte would offer an opportunity to reflect and tighten up the viewcharts to a crisp set of presentations. I had facing page text and five pages of discussion on each program. All programs belonged to other people in the BIC and MDSTC, none belonged to me; but, there is plenty of time: arrive at 1430 in Charlotte, leave at 1600, and arrive at National at 1730. Even though I had received

"We've all heard that a million monkeys banging on a million typewriters will eventually reproduce the entire works of Shakespeare. Now, thanks to the Internet, we know this is not true."

-- Robert Silensky

one presentation on Saturday and another on Monday, I had Monday night to review anything not covered during the flight.

Very little got accomplished on the Charlotte leg of the trip, but the coffee and blueberry muffin were helpful.

Deplaning at gate C-7 and walking to the future gate B-2 prior to seeking lunch seemed like a good idea, especially since I

could rest my two carryon bags (three-day trip) in the general vicinity of my next board. I am an experienced traveler; I learned my lesson for the umpteenth time when my outbound checked baggage was lost on a previous trip through Cincinnati to D.C. RULE: never check baggage outbound; always check baggage inbound.

Very little got accomplished between gate C-7, finding the food court for lunch, and walking to gate B-2.

Boarding US AIR at gate B-2 on time proceeded smoothly, but it was hot on the airplane. I was in the farthest, rear corner seat next to a window. I immediately activated the air conditioning vent ---- scorching hot air emerged. I turned the vent halfway for flow movement, but directed it away.

"YOUR ATTENTION PLEASE! IT IS 101 DEGREES IN CHARLOTTE TODAY AND WE KNOW IT IS VERY HOT IN THE CABIN, BUT THE AIR CONDITIONER IS DOING THE BEST IT CAN. WE WILL BE TAKING OFF SOON AND, ONCE WE ARE AIRBORNE, THE CABIN WILL COOL QUICKLY!!!!" declared a feminine voice from space.

Twenty minutes later. No airplane movement. No cool air! "YOUR ATTENTION PLEASE! THE CAPTAIN'S SEATBELT HAS A MALFUNCTION AND A SPECIALIST IS BEING BROUGHT ONBOARD TO MAKE THE NECESSARY REPAIRS. ONCE THE REPAIRS HAVE BEEN MADE WE WILL BE AIRBORNE. REPAIRS SHOULD NOT TAKE MORE THAN 5 TO 10 MINUTES. YOUR PATIENCE IS GREATLY

APPRECIATED!!!!" the same voice from space.

After another twenty minutes, the plane begins to back away from the terminal. At last maybe we can get airborne and get relief from this suffocating heat. Everyone is now soaked with perspiration.

As we roll forward the Captain injects, "LADIES AND GENTLEMEN, WE REGRET ANY INCONVENIENCE BACK AT THE TERMINAL, BUT WE APPRECIATE YOUR PATIENCE. WE ARE FIFTEENTH IN LINE AND SHOULD BE TAKING OFF SHORTLY."

Roll forward and stop. Roll forward and stop. Repeat, repeat. Twenty minutes later. At least it is now cloudy and maybe not so hot --- or is my body adjusting to this stifling hot condition.

"LADIES AND GENTLEMEN, WE ARE NOW TENTH IN LINE, BUT WE HAVE JUST RECEIVED INFORMATION

"Count no day lost in which you waited your turn, took only your share and sought advantage over no one."

-- Robert Brault

THAT A THUNDERSTORM AT WASHINGTON NATIONAL IS CAUSING TRAFFIC TO BACK UP. SO WE ARE GOING TO PULL OFF THE RUNWAY, OUT OF LINE, FOR A FEW MINUTES TO ALLOW OTHER FLIGHTS TO CONTINUE WHILE THE TRAFFIC CLEARS AT NATIONAL," said the Captain.

The IR Journal

A light rain begins to fall. YEAH! This should help the air conditioner efficiency as well as cool the outside of the cabin, and just perhaps help the inside of the cabin.

Twenty minutes later.

"LADIES AND GENTLEMEN! THIS IS YOUR CAPTAIN AGAIN. THERE EXISTS A FEDERAL RULE THAT FORBIDS A FLIGHT CREW FROM FLYING OVER 15 HOURS CONSECUTIVELY. IF WE GET BACK IN LINE, FLY TO NATIONAL, FLY IN THE LANDING PATTERN, AND LAND; WE WILL HAVE EXCEEDED OUR FEDERAL LIMITATION. THEREFORE, WE ARE GOING TO GO BACK TO THE TERMINAL AND CHANGE THE FLIGHT CREW."

Trapped by bureaucrats! Well, at least we can get some relief in the cool terminal from this heat, IF WE ARE ALLOWED TO DEPLANE. Rolling toward the terminal, suddenly the aircraft stops.

"LADIES AND GENTLEMEN! THE CHARLOTTE AIRPORT COMPLEX IS EXPERIENCING A MAJOR THUNDER AND LIGHTENING STORM. ALL THE GROUND PERSONNEL HAVE BEEN PULLED OFF THE RUNWAY AREAS AND WE ARE NOT ALLOWED TO MOVE THE AIRCRAFT WITHOUT GROUND PERSONNEL DIRECTION," announced the Captain. "WE WILL SIT HERE UNTIL THE STORM PASSES AND THE PERSONNEL RETURN TO THE RUNWAYS TO DIRECT US TO THE TERMINAL."



Trapped by bureaucrats, again. Thirty minutes pass before we begin to roll forward toward the terminal.

"LADIES AND GENTLEMEN! WE HAVE SOME FLIGHT INFORMATION FOR YOU.

EVERYONE WILL NEED TO DEPLANE AND PROCEED TO GATE C-2 FROM GATE B-7," stated the space voice.

Are we getting flight information or nonflight information? I must be getting cynical.

With both bags in hand, I proceed to gate C-2, again.

At gate C-2, the line was so long even Disney couldn't devise enough foldbacks to disguise this line.

"LADIES AND GENTLEMEN! FOR THOSE PASSENGERS ON US AIR AT GATE C-2 TO WASHINGTON NATIONAL ---- YOUR FLIGHT HAS BEEN CANCELLED!!! PASSENGERS HOLDING TICKETS ON THIS FLIGHT SHOULD PROCEED TO THE US AIR TICKET COUNTER FOR A MEAL TICKET AND FURTHER INSTRUCTIONS REGARDING FLIGHT INFORMATION," a new voice from space. Meal ticket? This sounds lengthy!

O.K. heavy bags, let's go! "You have a \$10 meal ticket and you must spend it in one place. You get no change back. It is a one-time deal. You should then proceed to gate C-7," informed the US AIR counter personnel. The thought occurred to check baggage,



but the temptation was quickly brushed aside. No Way!

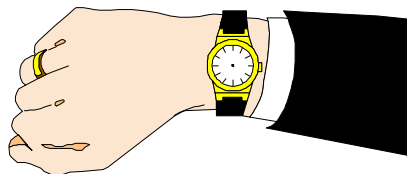
I now know very well where the food court is located. Chilli's seems a likely place to spend my meal ticket. After lugging heavy bags over the Charlotte airport, the meal ticket didn't quite cut it, but it was close. So what, be positive; I won't have to worry about food in D.C., perhaps.

Charlotte airport has a nice lounge area. After an hour of view chart reading, it is 2030 and time to board US AIR for National Airport at gate C-7, the same gate I came through this afternoon at 1430, a mere six hours ago.

We take off at 2100 and land at National at 2230. I reach my hotel at 2300, too exhausted from carrying heavy bags and too exasperated to worry about view charts or anything else. Oh well, tomorrow is a new day and I can slay a whole new set of dragons --- just like I did today, right! But my bags made it!

Weary Government Traveler

**Semi Annual
Report Due by
31 October 1997**



**The IR
Journal
Awards**

The IR Journal

Over the past year or so, the editorial staff has received a number of outstanding articles for publication in *The IR Journal*. To show our gratitude we are establishing an awards program to recognize contributors of the best articles. Award winners will be selected by an independent panel of judges and be recognized at the annual training symposium.

**Fall
Fun**



**Any Changes
Out There?**

We still get e-mail messages returned to us with "user unknown" advisories. Why do you think that is? It couldn't be because your e-mail address changed and you didn't let us know. Couldn't be. The Army's highly professional staff of IR auditors certainly wouldn't allow such things to happen. They want to be kept abreast of all the latest information. They're just too good for that!

True or False?

(Answer from Page 5)

False

At no point in any of the fifty-six short stories and four novels that Sir Arthur Conan Doyle wrote about his famous detective does Holmes say "Elementary, my dear Watson."



The Next Edition of The IR Journal

ur next edition of *The IR Journal* will be published during December 1997. Articles and information for the December edition should be received on or before 15 November 1997. Input should be forwarded via e-mail whenever possible.

"Making the simple complicated is commonplace; making the complicated simple, awesomely simple, that's creativity."

-Charles Mingus

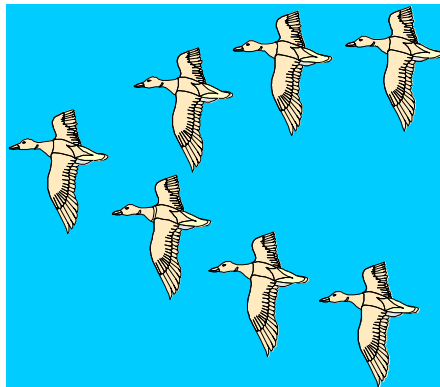
The IR Journal

is an unofficial newsletter for the Army Internal Review community published by the Office of the Deputy Assistant Secretary of the Army (Financial Operations). Its objective is to keep readers

informed of issues, which may affect or have affected the Army's Internal Review Program, the internal audit profession or auditing in the Federal government. *The IR Journal* will not be used to announce new or revised Army policy. It will however, often discuss new or changed policies subsequent to official announcement.



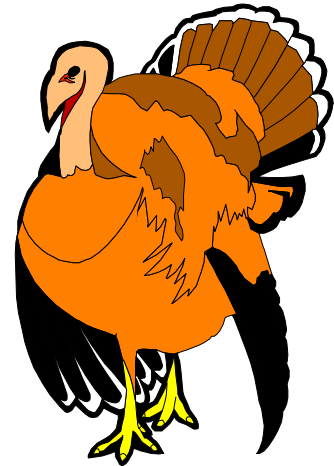
The editorial staff would like to hear your comments or ideas on improving *The IR Journal*. We would also ask you to submit articles, questions, good news, lessons learned, innovative audit techniques employed, recommendations for training, or letters to the editor.



Please feel free to contact our editorial staff, **Bob Barnhart** and **Michelle Doyle**, at any time. They can be reached at DSN 225-2909, COMM (703) 695-2909/7693; FAX - DSN 223-1028, COMM (703) 693-1028; or e-mail BARNHRW@hqda.army.mil or DOYLEM@hqda.army.mil. Comments or questions pertaining to the Management Control Page can be directed to **Mike Petty** at DSN: 225-3225; COMM (703)

The IR Journal

695-3225; or e-mail PETTYTM@hqda.army.mil. Mike's FAX number is the same as shown above.



Let us be the first to wish you and your family -
**HAPPY
THANKSGIVING!**

"Leadership is the art of getting someone else to do something you want done because he wants to do it."

-- Dwight D. Eisenhower